

COMMITTEE HEARING  
BEFORE THE  
CALIFORNIA ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

|                                    |   |            |
|------------------------------------|---|------------|
| In the Matter of:                  | ) |            |
|                                    | ) |            |
| Preparation of the 2005 Integrated | ) | Docket No. |
| Energy Policy Report               | ) | 04-IEP-1K  |
|                                    | ) |            |
| Re: Availability of the Committee  | ) |            |
| Draft Transmittal Report           | ) |            |
| _____                              | ) |            |

CALIFORNIA ENERGY COMMISSION  
HEARING ROOM A  
1516 NINTH STREET  
SACRAMENTO, CALIFORNIA

FRIDAY, NOVEMBER 4, 2005

9:03 A.M.

Reported by:  
Peter Petty  
Contract No. 150-04-002

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

John Geesman, Presiding Member

James Boyd, Associate Member

Joseph Desmond, Chairperson

ADVISORS PRESENT

Michael Smith

Melissa Jones

STAFF and CONTRACTORS PRESENT

Kevin Kennedy

Michael Jaske

ALSO PRESENT

Molly Sterkel  
California Public Utilities Commission

Audrey Chang  
Natural Resources Defense Council

Steven Kelly  
Independent Energy Producers Association

Manuel Alvarez  
Southern California Edison Company

Greg Katsapis  
San Diego Gas and Electric Company

Robert Anderson  
San Diego Gas and Electric Company

Les Guliassi  
Pacific Gas and Electric Company

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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

## P R O C E E D I N G S

9:03 a.m.

PRESIDING MEMBER GEESMAN: This is day 59 of the hearings and workshops on the 2005 Integrated Energy Policy Report. The topic of today's hearing is the Committee's draft Transmittal Report to the Public Utilities Commission.

I'm John Geesman, the Presiding Member of the Integrated Energy Policy Report Committee. To my left, Commissioner Jim Boyd, the Associate Member. To my immediate right, Melissa Jones, my Staff Advisor. And to her right, Joe Desmond, the Commission's Chair.

Probably the best way to start would be to have your presentation, Kevin.

DR. KENNEDY: Okay. My name is Kevin Kennedy and I'm the Program Manager for the 2005 Integrated Energy Policy Report proceeding. I would like to welcome everyone who is here today in the audience, and also folks who are listening on either the webcast or the call-in number.

For folks who are listening on the webcast, if you decide later that you would like to make some comments, I'll be posting the call-in

1        number so you'll be able to, if you see -- from my  
2        saying the phone number or seeing the  
3        presentations, you'll be able to call in and make  
4        comments later.

5                A few housekeeping details, though as I  
6        look around the room, I think most of you are  
7        familiar with this already. The bathrooms are out  
8        the door and down the hall to the left. Please,  
9        if you're leaving the building, don't go out the  
10       door by the bathrooms because there's an alarm.  
11       Unless you have an employee badge you'll set the  
12       alarm off. So the way out is through the doors  
13       around the corner to the right.

14               There's also a snack bar upstairs sort  
15       of at the top of the stairs, more or less straight  
16       ahead, a bit to the left.

17               As Commissioner Geesman said, we are  
18       here for a hearing on the Committee draft  
19       transmittal of the 2005 Energy Report range of  
20       need and policy recommendations to the California  
21       Public Utilities Commission.

22               The agenda for today, first I'm going to  
23       give a very quick overview of the Energy Report  
24       proceeding. And then an overview of the draft  
25       Transmittal Report. As part of that initial

1 overview I will be walking through how we  
2 constructed what we're calling the range of need  
3 for each of the utilities, and sort of giving an  
4 overall example of that.

5 At that point we will break for general  
6 comments from the audience relating to how we put  
7 together the range of need and the other topics  
8 covered in the Transmittal Report.

9 After that's completed, what we will do  
10 from there is I'll come back and do a very quick  
11 review of the specific numbers, first for PG&E,  
12 then for SDG&E and then for Southern California  
13 Edison. To the extent that anyone has particular  
14 comments or concerns about the particulars of the  
15 numbers there'll be an opportunity to comment on  
16 those at the time.

17 Then we'll sort of wrap up with another  
18 round of general comments just in case there's  
19 anything that came up as we looked at the  
20 particular IOU ranges of need, if there's anything  
21 that came up that people feel needs additional  
22 comments.

23 And then just a final note that written  
24 comments on this report are due on next Tuesday,  
25 November 8th.

1           The schedule for the remaining portions  
2       of the Energy Report, as I said the written  
3       comments on the draft Transmittal Report are due  
4       next Tuesday.

5           Next week on Monday we are planning to  
6       release the revised versions, the Committee final  
7       versions of both the Energy Report, itself, and  
8       the Transmission Strategic Plan.

9           We're hoping next week, though it may  
10      slip into the beginning of the following week, to  
11      put out the Committee final version of the  
12      Transmittal Report, as well.

13          We do have a special business meeting  
14      scheduled for Monday, November 21st, for the full  
15      Commission to consider adoption of all three of  
16      those reports.

17          And then in early December we will be  
18      packaging them up and delivering them to the  
19      Governor and Legislature.

20          In terms of the Energy Report  
21      proceeding, overall, the Public Resources Code  
22      calls out a number of things that we are expected  
23      to do in the Energy Report proceeding. One of the  
24      key things is the integrated policy development,  
25      trying to develop integrated energy policy for the



1 State of California.

2 A second, and in some ways the most  
3 important for today's hearing, is developing a  
4 common information base for energy agencies to use  
5 in their decisionmakings. A lot of what we are  
6 doing today is looking at how the information on  
7 demand and supply for the IOUs is being packaged  
8 up by the Energy Commission and made available for  
9 use in next year's 2006 procurement proceeding  
10 down at the PUC.

11 In terms of the timing of the Energy  
12 Report, we are expected to complete one every two  
13 years with an update in the off years.

14 Over the course of the proceeding for  
15 this year's Energy Report we have been working  
16 very closely with numerous federal, state and  
17 local agencies. There have been more than 50  
18 Committee hearings and workshops. I believe  
19 Commissioner Geesman correctly put the number at  
20 59. And I'm glad to say that today's will be the  
21 last before the business meeting that considers  
22 adoption.

23 We have more than 30,000 pages of  
24 materials in the docket for this proceeding. We  
25 have published more than 50 staff and consultant

1 reports and papers. And we now have put out three  
2 draft Committee reports that are in the process of  
3 being finalized for Energy Commission  
4 consideration on November 21st, the Energy Report,  
5 itself, the Strategic Transmission Investment  
6 Plan, and the Transmittal Report to the PUC.

7 Through the course of this proceeding we  
8 have been working very closely with the PUC in  
9 terms of trying to insure that the 2005 Energy  
10 Report proceeding is well coordinated with the  
11 upcoming 2006 procurement proceeding at the PUC.

12 In September of 2004 CPUC President  
13 Peevey issued an Assigned Commissioner Ruling that  
14 identified the 2005 Energy Report proceeding as  
15 the appropriate forum for developing the range of  
16 need that would be used in the 2006 procurement  
17 proceeding. It would identify how much resources  
18 the three IOUs would need to be procuring, as a  
19 basis of that proceeding.

20 In March of 2005 President Peevey  
21 followed up with a second ACR that provided some  
22 more detail on how that was expected to play out.  
23 And the Transmittal Report that we're discussing  
24 today is a result of that cooperation, and is  
25 something that was identified in those ACRs as a

1 mechanism for packaging the Energy Report  
2 recommendations, and packaging the range of need  
3 that's identified through the work that we have  
4 done here for use by the PUC next year.

5 In terms of the Transmittal Report  
6 overall, there's a number of things that are  
7 included. First we included general procurement  
8 policy recommendations. Second, we walked through  
9 how we constructed the rang of need. Then we get  
10 into the details of both the energy and peak  
11 demand forecasts that both, in terms of what was  
12 initially prepared and submitted and considered in  
13 hearings in June, and then in terms of the revised  
14 staff forecast, which is the basis for the range  
15 of need that we are talking about today.

16 Then the report discusses the resource  
17 plans that were filed by the investor-owned  
18 utilities, and walks through, from there, given  
19 the demand forecast that we're using and the  
20 resource information that we received, how we have  
21 put together the range of need.

22 One of the things that's included in  
23 that discussion is some consideration of the areas  
24 where the Energy Commission recognizes that there  
25 is likely to be stale information such as the

1 resource plans that were filed, were prepared  
2 early this year. So that by the time we get to a  
3 decision in the 2006 proceeding, there will  
4 clearly be a need to update the resource  
5 information to account for any resources that have  
6 been signed up in the meantime.

7 A number of other areas identified as  
8 likely spots for the PUC to need to update some of  
9 the information that we included in the range of  
10 need.

11 The report then also discusses the  
12 natural gas forecasts that are being adopted. And  
13 also a number of transmission project  
14 recommendations that were documented in both the  
15 Energy Report, itself, and the Transmission  
16 Strategic Plan.

17 In my presentation today I'm going to  
18 focus primarily on the range of need. Most of the  
19 rest of what is in the Transmittal Report is not  
20 so much new information that's being presented in  
21 terms of policy recommendations, but rather an  
22 attempt to document from the proceeding record how  
23 we came up with the recommendations that are  
24 presented, either in the Transmission Strategic  
25 Plan or in the Energy Report, itself.

1           With that in mind I will just sort of  
2       note the number of procurement policy  
3       recommendations that we have included, as worth  
4       note by the PUC in the Transmittal Report. We see  
5       a definite need for more emphasis on long-term  
6       contracts as we move forward; a need for further  
7       emphasis on development of renewable resources and  
8       combined heat and power resources.

9           The Energy Commission notes concerns  
10       relating to the implementation of the least-cost/  
11       best-fit criteria. The portfolio performance  
12       portions of how a lot of this is being  
13       implemented. We had some recommendations around  
14       that.

15           There is also a recommendation for a  
16       greenhouse gas performance standard. And I note  
17       that the PUC has actually already taken some  
18       initial action in response to what was included in  
19       the draft Energy Report, directing their staff to  
20       start moving on working through some of the  
21       details on that.

22           The Energy Commission also emphasizes  
23       the importance of transparency in energy planning  
24       and procurement as part of our recommendations.  
25       And also deal with the question of departing load.

1 We feel that it's very important that some of the  
2 key coming and going rules get established as  
3 quickly as possible at the PUC. I think there's  
4 wide recognition of sort of the general shape of  
5 what might be implemented there, and a strong  
6 desire to see that implemented going forward in a  
7 timely fashion.

8 With that, I want to very quickly touch  
9 on sort of the general structure of the  
10 construction of the range of need. And then what  
11 I will do is try to walk through, using sort of a  
12 combined total for the three IOUs, exactly what we  
13 mean and how we put some of this information  
14 together.

15 First, over the course of the last year  
16 we received a number of demand forecasts from the  
17 various load-serving entities in the state. We  
18 also had a preliminary staff forecast that was  
19 prepared and published in June. In June, also, we  
20 published a comparison report between the planning  
21 area aggregation of the LSE forecast to the staff  
22 forecast.

23 Based on that, the Committee directed  
24 staff to prepare a revised forecast that would  
25 help account for some of the key differences in

1 assumptions that we saw between the staff initial  
2 forecast and the LSE forecast.

3 Based on those we developed a range of  
4 demand forecasts with a base forecast, but also a  
5 low case and a high case. And within the revised  
6 staff forecast we additionally started from a  
7 planning area forecast, but broke that down  
8 further to service area and bundled customer  
9 demand for the IOUs.

10 In terms of the range of need the  
11 Commission has decided to not consider departing  
12 load as a part of how the need is -- the range is  
13 constructed. We believe that the issue of  
14 departing load can appropriately be dealt with  
15 through good coming-and-going rules; that the  
16 remaining uncertainty around exactly how and when  
17 those rules will be implemented should not be  
18 something that prevents the IOUs from procuring  
19 resources for the long term. So we're not  
20 subtracting out some estimates of departing load  
21 as part of the range of need.

22 In terms of demand response and energy  
23 efficiency, we've attempted to include within the  
24 range of need a recognition of the goals that have  
25 been established by the PUC, where there is what

1 is called committed energy efficiency programs.

2 That is, the programs that the funding  
3 has already been approved by the PUC for the 2006  
4 through 2008 time period. Those have been  
5 incorporated into the demand forecast, itself.

6 In terms of the uncommitted goals, where  
7 the program funding has not yet been approved,  
8 those are looked at as preferred resources for  
9 future acquisition. We are trying to keep what's  
10 in the range of need consistent with the  
11 established goals.

12 Similar with demand response. We are  
13 including within the range of need a recognition  
14 of preferred resources that would match the  
15 existing demand response goal for the -- since  
16 we're dealing with a 2009 starting point in the  
17 range of need, the goal is 5 percent of the  
18 service area load.

19 Within the range of need we also had  
20 taken a look at the resource plan information that  
21 was filed by the various utilities, and made use  
22 of much of that information in terms of trying to  
23 identify where preferred resources, the amounts  
24 that we might be identifying and going forward.  
25 And also use that information as a basis for what



1 the existing and planned resources are.

2 Putting all of that together we  
3 identified what the resource needs will be going  
4 forward. And, as I mentioned before, we do  
5 recognize that resource plans that were prepared  
6 at the early part of this year, there are some  
7 significant resources that have been acquired in  
8 one way or another since then. And will most  
9 likely continue to be over the course of the next  
10 year or so. That it will be appropriate to update  
11 the existing and planned resources to account for  
12 things like the major solar projects that SCE and  
13 SDG&E have announced, as well as other new  
14 acquisitions that have happened in the meantime.  
15 And there's other adjustments that are discussed  
16 within that portion of the report.

17 So what I would like to do from here,  
18 actually, I'm going to, in effect, for those of  
19 you looking at the handout of the presentation, I  
20 will walk through these next slides to explain  
21 what's going on. But what I will have up on the  
22 screen is actually a graph that will allow me to  
23 sort of point to how the pieces fit together.

24 And in some ways, one of the things I  
25 realized as I was putting this presentation

1 together yesterday, was what is on the individual  
2 slides on the presentation tracks very well the  
3 tables, themselves, as we translate that into a  
4 graphic presentation.

5 I probably would have done the order a  
6 little bit differently, but we'll be able to work  
7 with that as we go forward.

8 So the starting point in terms of the  
9 range of need is looking at what the demand  
10 forecast is. And there are slides here both for  
11 the energy range of need and the capacity range of  
12 need. And the ones that I am looking at at the  
13 moment are ones that combine the totals for the  
14 three IOUs together.

15 So the starting point, as I have said,  
16 is the initial staff -- or not the -- the revised  
17 staff forecast that was published in September.

18 For energy and peak we are starting with  
19 the bundled customer load portion of the forecast.  
20 Within the resource plans that were filed by the  
21 LSEs, the IOUs had identified, in addition, a firm  
22 sales obligation, which we have added in as  
23 appropriate, to that bundled customer load.

24 And on the peak side the forecast,  
25 what's included here also includes a 15 percent

1 reserve margin.

2           So that gives us the set of reddish  
3 lines on this graph which is the lower set of  
4 lines. And that's the starting point essentially  
5 of the bundled customer load with appropriate  
6 adjustments, with a high case, a basecase and a  
7 low case.

8           In terms of moving next to the existing  
9 planned and planned resources, which are the  
10 bottom portions of the columns, the supply plans  
11 identified utility-controlled physical resources,  
12 nuclear, fossil and hydro. And also existing  
13 planned contractual resources. And we've broken  
14 those out with the lower part of the bar being the  
15 existing and planned physical resources; and just  
16 above that, the contractual resources.

17           For one of the things that we're working  
18 with in all of this is for the energy side during  
19 the summer we published a set of aggregated tables  
20 which showed for each IOU the bundled customer  
21 demand and the IOU's specific resources. So we  
22 are pulling from those aggregated tables that were  
23 published in June for the energy portion. For the  
24 most part, for the capacity portion, we are, in  
25 terms of the resources, drawing from public

1 versions of the detailed resource plan tables that  
2 were initially filed by the utilities. And I'll  
3 get to a couple of exceptions to that as I'm  
4 walking through these.

5           So the blue portions of the bars that  
6 are sort of a bit mottled are the existing and  
7 planned resources that have been identified. And  
8 you can see that over the course of time there's a  
9 fairly strong dropoff in the contractual portion  
10 of that, the physical, the nuclear and fossil  
11 units and hydro energy and capacity remain  
12 relatively constant throughout the forecast  
13 period. A lot of the drop, though not all of the  
14 drop, in the contractual resources are the  
15 expiration of the DWR contracts over time.

16           The main exception to the ability to use  
17 the public tables for capacity has to do with the  
18 other bilateral contracts and the renewable  
19 contracts, which the IOUs did not include any  
20 information on in their public tables.

21           What we have done initially in the draft  
22 report is draw from the planning area capacity  
23 tables that we published as part of the aggregated  
24 tables in June. Those planning area tables  
25 include not just the numbers for the IOUs, but

1       also include the information for any publicly  
2       owned utilities that are within the planning area  
3       for the utility, and shares of the ESPs that are  
4       sort of apportioned out based on where their  
5       demand is located.

6               So for the contractual resources on the  
7       capacity side there's more than just the IOUs  
8       capacities included here.

9               We are proposing to actually do  
10       something slightly different in the final version  
11       of this report. And this is one of the things  
12       that we had specifically invited comment on at  
13       this hearing, especially from the IOUs.

14              The publicly owned utilities did not  
15       request confidentiality for the information that  
16       they filed. So the underlying publicly owned  
17       utility contract information is public  
18       information.

19              We have previously published the  
20       planning area information. So we are proposing to  
21       publish a collection of the publicly owned utility  
22       information for each of the planning areas, and  
23       subtracting it out, which would leave us, for the  
24       contractual resources, a combination of the IOU  
25       resources plus the appropriate share of the ESP

1 resources.

2 For San Diego that actually is no  
3 difference because there are no publicly owned  
4 utilities within their planning area. But it  
5 would result in a better estimate of the IOU  
6 resources on the contractual side for PG&E and  
7 SCE.

8 And on the capacity side there is one  
9 more piece that is included here. And that's the  
10 existing demand response programs. And one thing  
11 that we recognize as we've been going through the  
12 report since we published it is that there is some  
13 degree of inconsistent treatment across the three  
14 IOUs in terms of how we have presented the  
15 information. Which is actually based on a bit of  
16 inconsistency in the initial filings.

17 And in particular, we ended up with the  
18 San Diego totals showing nothing for the existing  
19 demand response programs, which we know is  
20 incorrect. So we're in the process of sorting  
21 that out. And we'll also work to sort out to make  
22 sure that there's a consistent treatment of  
23 existing demand response programs across the three  
24 utilities.

25 So when you take the combination of the

1 existing physical and the existing contractual  
2 resources, you get the total of the existing  
3 resources.

4 And if you look at the difference  
5 between the basic demand forecast, itself, and the  
6 existing resources you get what is essentially the  
7 basic supply/demand balance.

8 One of the recommendations within the  
9 Energy Report has been that we work towards a  
10 orderly transition that will allow the retirement  
11 of the aging power plants that the state has been  
12 continuing to rely on.

13 And in order to try to implement that  
14 policy through the procurement proceeding, what  
15 we're recommending in the draft Transmittal Report  
16 is that the aging power plants that were  
17 identified as the study group for the 2004 aging  
18 plant study, that we would like to see those  
19 retired in a orderly transition by 2012.

20 So, for 2012 we're adding an increment  
21 that represents the share of capacity for the  
22 units that are located within the planning areas  
23 for the individual utilities. And then also a  
24 share of the energy where the energy is calculated  
25 as the average generation from that collection of

1 the aging plants, averaged for 2002, 2003, and  
2 2004.

3 So the set of blue demand forecast lines  
4 are representing what you get when you add to the  
5 actual demand forecast in increment, where we are  
6 recommending that what needs to be done is the  
7 need be adjusted so that the utilities are  
8 procuring enough additional resources to help  
9 insure an orderly retirement of the existing aging  
10 power plants.

11 We have also, in order to make sure that  
12 that is a smooth and orderly transition, rather  
13 than jumping straight to, you know, the total  
14 amount being added in a particular year we did a  
15 smooth ramp-up starting with a quarter of the  
16 total increment in 2009, half of it in 2010,  
17 three-quarters in 2011, and then the full  
18 increment is added for the years 2012 and beyond.

19 So that is what we see as the basic  
20 demand with the aging plant increment included, is  
21 what the utilities need to be procuring, too. And  
22 when you subtract out the existing and planned  
23 resources you get what's flagged on these graphs  
24 as the total need. And there is a range based on  
25 the range in the demand forecasts.



1           From there we identified within that  
2           need amounts that represent the additional  
3           preferred resources; preferred in terms of  
4           consistent with the loading order.

5           So we're talking about additional energy  
6           efficiency, additional demand response,  
7           renewables, and distributed generation, combined  
8           heat and power.

9           For energy efficiency, the IOU filings  
10          had included information on the amounts of energy  
11          and capacity that they saw as being consistent  
12          with meeting the existing targets that have been  
13          established by the PUC. So we included those  
14          numbers as part of the preferred resources.

15          For demand response, which only applies  
16          on the capacity side, what we included was an  
17          amount that is 5 percent of the service area load  
18          for the IOU.

19          For renewables, one of the cases we had  
20          requested the IOUs to file, was an accelerated  
21          renewables case that was consistent with the  
22          recommendation in the 2004 Energy Report update.  
23          Which would have the utilities on a trajectory for  
24          PG&E and SDG&E of 33 percent by 2020. And for  
25          Southern California Edison, 35 percent by 2020.

1           While the utilities were not, in their  
2       filings, entirely happy with the thought of  
3       needing to meet those trajectories, they did  
4       provide us with estimates of what they thought the  
5       amount of resources that could, at least  
6       technically, be used to fill those goals. And so  
7       we are using those numbers as the preferred  
8       renewable amount of resources for both energy and  
9       capacity.

10           In terms of distributed generation, one  
11       of the recommendations in the policy report is  
12       that, while we have established an overall, what  
13       we see as a realistic goal, for ultimate statewide  
14       combined heat and power, at this stage there are  
15       not annual targets that are applied for the  
16       individual IOUs.

17           And we have recommended that the PUC and  
18       the Energy Commission work together to establish  
19       such targets by the end of next year. And what we  
20       would expect the PUC to go as part of the  
21       procurement proceeding is essentially include  
22       within the preferred resources those targets for  
23       distributed generation and combined heat and  
24       power. So there would be an added preferred  
25       resource increment.

1           Once you've considered the preferred  
2       resources, at the top of these bars which are in  
3       green at the top of the bars, what remains is an  
4       undesignated additional resources that we would  
5       expect the utilities need to be procuring against  
6       as you go forward.

7           And I should note that we did start with  
8       2009 as a starting point, and a lot of the reason  
9       for that had to do with the concerns about  
10      confidentiality and the disputes that we had had.

11          In terms of the resource plan, the  
12      detailed filings we received from the utilities,  
13      those plans did start in 2006. The detailed  
14      monthly filings were granted confidentiality by  
15      the Executive Director.

16          When we tried to put together an  
17      aggregation proposal that we felt would be  
18      appropriate for making -- providing information  
19      into the public record for use in the transmittal  
20      report, as staff put that together, rather than  
21      fighting over whether or not the 2006, 2007, 2008  
22      information should be public or confidential, we  
23      essentially took the cue from the public filings  
24      that the IOUs had provided, which started with  
25      2009, and proposed starting the aggregations

1       there. So the information that's in the public  
2       record, in terms of aggregations of the resource  
3       plan filings, those start in 2009.

4               The demand forecasts that we have  
5       actually do include the years 2006, 2007, 2008.  
6       And one of the things that's going on, as I  
7       understand it, in the resource adequacy proceeding  
8       at the PUC currently is working through the  
9       details of how to turn the Energy Commission's  
10      2006 forecast into something that would play out  
11      as a monthly forecast.

12             The sorts of procedures that are being  
13      used within resource adequacy to translate the  
14      near-term forecast into something that's useful,  
15      we would expect the PUC to apply very similar  
16      sorts of procedures for dealing with the demand  
17      forecast in the near-term years.

18             In terms of how they deal with the  
19      resource side, on the 2007/2008 period, we didn't  
20      have information in the public record that we  
21      could make use of. So that's something that they  
22      will be grappling with.

23             So that is how we have put together the  
24      range of need overall. And what I am planning to  
25      do is once I finish this part of the presentation,

1 take comments. And if there are questions, I  
2 suspect there may be a few details in here that  
3 are a bit fuzzy for folks, but deal with  
4 essentially general comments on the overall  
5 report, including the portions not relating to the  
6 range of need. And also general comments on how  
7 we deal with constructing the range of need.

8 After that portion of the comments,  
9 which I expect to be the bulk of the comments that  
10 we get, I also have graphs that show in more  
11 detail the numbers specifically for each of the  
12 three IOUs.

13 And what I will do is after we've sort  
14 of dealt with the general comments, come back, do  
15 a brief presentation on what the numbers look like  
16 for the individual IOUs. See whether or not  
17 there's anyone who has concerns or questions or  
18 comments about the more detailed IOU-specific  
19 numbers.

20 So, we'll be coming back to a more  
21 detailed look at the individual utilities. If  
22 necessary, we may be able to jump back and forth a  
23 bit on that.

24 And at this point I'm not going to be  
25 saying very much about either the natural gas or

1 the transmission portions of the Transmittal  
2 Report.

3 As I indicated before, to a large  
4 extent, what we're doing in the Transmittal Report  
5 is essentially packaging up the record that we  
6 have created over the course of the past year in  
7 those areas.

8 For the natural gas area we're  
9 incorporating the natural gas forecast. We do  
10 have a number of specific questions that -- there  
11 they are -- we have invited comment on. One of  
12 which is how we deal with the near-term natural  
13 gas prices. The Transmittal Report includes a  
14 recommendation that we use NYMEX for the near-term  
15 natural gas prices, and sort of transition to the  
16 staff's natural gas price forecast from there.

17 There were a number of other areas  
18 within the range of need consideration that we  
19 also noted that there may be need for particular  
20 comment on the approach that we're using for  
21 dealing with renewable resources as part of the  
22 preferred resources. Any comment on how to  
23 consistently deal with the existing demand  
24 response programs will be appreciated.

25 And definitely I'm looking for any

1        comments from the IOUs on the plan to publish  
2        distribution service area versions of the capacity  
3        tables, which only affects the renewables and  
4        other bilateral contract lines in those tables.  
5        Whether there are any particular concerns with  
6        that.

7                Once I break, comments will be welcome  
8        on all areas of the transmittal report. And, as I  
9        said, I will then come back and try to do a very  
10       quick summary of the individual IOU range of need  
11       findings.

12               For folks who are listening in on the  
13       webcast, if you find that you would like to call  
14       in with comments or questions, we do have a call-  
15       in number. It's 800-621-8495; the passcode is  
16       hearing; and the call leader is Kevin Kennedy.

17               So I will go ahead and leave this up for  
18       folks on the webcast who are able to see the  
19       presentation slides. If you decide later that you  
20       want to call in, the number will be there.

21               So, that's the end of my presentation.

22               PRESIDING MEMBER GEESMAN: Thank you  
23       very much, Kevin. I think the staff's done an  
24       outstanding job of trying to translate the policy  
25       recommendations from the Committee's draft Energy

1 Report into concrete tables that produce tangible  
2 numbers.

3 An area that I'm not convinced we've  
4 gotten to the point where we want has to do with  
5 the capacity tables and the resulting reserve  
6 margins. I don't think that we've applied -- I  
7 don't think we've had time yet to apply another  
8 screen, which would be the 15 to 17 percent  
9 planning reserve margin that the PUC, and  
10 originally California Power Authority, had  
11 identified as a prudent planning reserve.

12 And I'm fearful that the way we have  
13 stacked our objectives, which is meeting the net  
14 short plus retiring and replacing the existing  
15 aging plants by 2012 may, in fact, in some years  
16 end up with a planning reserve in excess of that  
17 CPUC targeted prudent level.

18 And I think we need to think through how  
19 to better do that. And I'd certainly invite  
20 comments from any of the participants today. And  
21 in your written comment, if you have ideas as to  
22 how we can better reflect that.

23 It's certainly not our intent, from the  
24 Committee's standpoint, to provide recommendations  
25 that will result in an excessive reserve margin.



1 I've got some ideas, but I think we'd be better  
2 off trying to develop the record here on it.

3 Any questions from my colleagues?

4 ASSOCIATE MEMBER BOYD: No questions. I  
5 just want to add my comments, and my compliments  
6 to the staff for the effort they made in preparing  
7 this report. Those of us who, you know, got in  
8 the early version, got this monstrous single-sided  
9 document which reflects an awful lot of work.

10 And we're here to get some input. It is  
11 a draft document and subject to change. And I'm  
12 anxious, like Commissioner Geesman, and I'm sure  
13 the Chairman, to hear the reactions of some folks.

14 But all in all, it's a very good piece  
15 of work. And I know it's tough to reflect the  
16 policy of discussions and recommendations of the  
17 Energy Report into a document known as a  
18 Transmittal Report with all the caveats and the  
19 parameters established to create that and the  
20 short period of time you had. A job well done to  
21 all of the staff involved.

22 CHAIRMAN DESMOND: I'm going to hold  
23 off. Certainly compliment the staff on the sheer  
24 volume of work they produced. But I'm primarily  
25 interested in the comments here today, and have

1       some thoughts that I'll share at the end here  
2       afterwards. But I'll get to those.

3               PRESIDING MEMBER GEESMAN: Why don't we  
4       do to comments, then. I don't have any blue  
5       cards, so we're going to be informal today.

6               DR. KENNEDY: Actually, I think next on  
7       the agenda was an opportunity for Molly Sterkel  
8       from the PUC to make a few comments. And so turn  
9       the mike over to her.

10              MS. STERKEL: Hi. Good morning,  
11       Commissioners, and good morning to everyone who is  
12       here in the room. Kevin, I have been listening to  
13       you on the phone, so I have been aware of what's  
14       been going on at the hearing.

15              My name is Molly Sterkel. I work in the  
16       Energy Division at the Public Utilities  
17       Commission. I will be working on the 2006  
18       procurement proceeding, and so I'm very keen to  
19       hear what happens at today's hearing.

20              My remarks are very brief. I wanted to  
21       just mention, as everyone here is probably well  
22       aware, the PUC is very interested in receiving  
23       this Transmittal Report and using it in the 2006  
24       procurement proceeding.

25              The report will be shared with the

1 assigned Commissioner for the procurement  
2 proceeding, which is currently Commissioner  
3 Peevey, and as well as all the other Commission  
4 offices.

5 I will be letting the assigned  
6 Commissioner at the PUC know just how much work  
7 has been put into this report. And how much work  
8 has been put into the reports that have gone into  
9 the report. I realize that there's a lot in here.

10 We have provided the staff here at the  
11 Energy Commission some informal comments from the  
12 PUC at a staff level. And we are very interested  
13 to hear what comments parties have to provide to  
14 the CEC. So we're primarily going to be listening  
15 today.

16 The last item I just wanted to say is  
17 that we are very interested in working together.  
18 And I had some time on the way up this morning to  
19 reflect on, you know, how we need to build  
20 bridges. And it seems like Caltrans is actually  
21 doing that for us. But then when I got to  
22 Sacramento and the bridge lifted, I thought we  
23 really have challenges.

24 But anyway, I just wanted to say that  
25 we're here to listen and to thank you. I think

1       that's it.

2               PRESIDING MEMBER GEESMAN: Thank you  
3       very much, Ms. Sterkel. We appreciate you being  
4       here. And also thank Commissioner Peevey for the  
5       architecture which he has established in a couple  
6       of ACRs for this process to better mesh with the  
7       long-term procurement process at the CPUC.

8               We've also benefitted, I know, from the  
9       staff-to-staff contact. We really want to make  
10      this report in a format that is most usable in  
11      your process. So we appreciate you being here  
12      today, and all of the staff input that we've  
13      received over the course of this 2005 IEPR cycle.

14              MS. STERKEL: Okay, thanks.

15              PRESIDING MEMBER GEESMAN: Kevin, what's  
16      next.

17              DR. KENNEDY: Now we can go to the  
18      general comment. And actually I think there may  
19      have been one blue card out there, but if there's  
20      anyone who wants to step up to the plate first  
21      while I double check the blue cards, the  
22      microphone, I believe, is on that podium.

23              MS. CHANG: Good morning, Commissioners.

24              PRESIDING MEMBER GEESMAN: Good morning.

25              MS. CHANG: I think I was the one blue

1 card, so I'll take the initiative. Good morning.  
2 I'm Audrey Chang with the Natural Resources  
3 Defense Council. I just have a few brief  
4 comments, and of course we'll elaborate further in  
5 our written comments, as well.

6 In general we support the  
7 recommendations put forth in this Transmittal  
8 Report and we also commend the two agencies, the  
9 CEC and the CPUC, for working closely together on  
10 these issues.

11 First, on page 16, indicates that  
12 portfolio fit criteria has value in looking at a  
13 single asset, but it's less valued when you're  
14 examining a larger portfolio. And that's exactly  
15 the point that we would like to make, is that in  
16 order to be able to examine the larger portfolio,  
17 we recommend that the CEC encourage the PUC to  
18 direct the IOUs to perform a portfolio analysis  
19 with resource fuel types. And you've heard that  
20 argument from us before.

21 On page 14 there's reference to the  
22 earned rate adjustment mechanism. And I'm a  
23 little bit unclear as to whether a new mechanism  
24 should be implemented there. Because it should  
25 work for any sort of demand side management. It

1 was referred to in the report as being effective  
2 for helping remove disincentives for energy  
3 efficiency.

4 On page 17, 18 we just would like to  
5 note that we support the adoption of the  
6 greenhouse gas performance standard without the  
7 use of offsets. And very encouraged to see that  
8 the CEC and the CPUC will be working together on  
9 that issue.

10 On page 34, or in section 5 on the  
11 demand forecast, we again encourage the CEC to be  
12 explicit regarding energy efficiency and what's  
13 included or not. And specifically we recommend  
14 that the PGC funds at least be included. It's a  
15 little bit unclear as to whether or not, because  
16 well, if -- we believe the PGC funds are committed  
17 funds, legislatively mandated, doesn't require  
18 additional PUC approval for those energy  
19 efficiency funds to be spent.

20 And --

21 PRESIDING MEMBER GEESMAN: Let me ask  
22 you on that --

23 MS. CHANG: Sure.

24 PRESIDING MEMBER GEESMAN: -- point.

25 How do you know what programs those PGC funds will

1 be spent for, and how much to associate with --  
2 how many savings to associate with those  
3 expenditures? Beyond the first committed  
4 programs.

5 MS. CHANG: That's true, there is, I  
6 mean, a little bit of uncertainty there. But I  
7 think you can at least have a base estimate of  
8 based on past performance of programs.

9 PRESIDING MEMBER GEESMAN: What we have  
10 done in the Energy Report, and I believe is  
11 accurately reflected in the Transmittal Report, is  
12 after that first round of programs that have  
13 already been approved, treat the efficiency  
14 programs on the supply side as a supply option,  
15 which it's been our view provides a better  
16 incentive to actually make certain that those  
17 programs and savings are pursued.

18 Is there some inherent flaw or weakness  
19 in that approach?

20 MS. CHANG: No, not necessarily. I  
21 think it's good that they've been -- it's been  
22 clearly accounted for, and what goes where. I  
23 think that's definitely an improvement over the  
24 past. So that's -- I think it can be debated  
25 where you put what, but --

1                   PRESIDING MEMBER GEESMAN:

2                   PRESIDING MEMBER GEESMAN: Yeah, we struggled

3                   --

4                   MS. CHANG: -- I think it's --

5                   PRESIDING MEMBER GEESMAN: -- with it.

6                   The utilities had a different approach from what  
7                   we had.

8                   MS. CHANG: Right, right. And I think  
9                   the last minor comment that I had was that on page  
10                  35 in the description of the resource plan  
11                  requests that were put to the IOUs, there's some  
12                  language there that says the IOUs were directed to  
13                  report on the impact of key uncertainties. And  
14                  included in those in the text here is the impact  
15                  of the greenhouse gas adder on bid evaluations.

16                  Now, I don't think there's any  
17                  uncertainty to be addressed there, because the  
18                  greenhouse gas adder has been adopted by the PUC.  
19                  And it should be integrated within the IOUs' bid  
20                  evaluations.

21                  And I think that sums up.

22                  PRESIDING MEMBER GEESMAN: Let me go  
23                  back to the portfolio question.

24                  MS. CHANG: Sure.

25                  PRESIDING MEMBER GEESMAN: Are you



1 familiar with the value-at-risk methodology that  
2 the CPUC adopted or embraced for short-term  
3 procurement, I think about two years ago now?

4 MS. CHANG: I'm personally not extremely  
5 familiar with that.

6 PRESIDING MEMBER GEESMAN: I wanted to  
7 ask you your view as to what you saw of the  
8 suitability of that particular methodology being  
9 extended to long-term procurement. And used as  
10 one of the analytic bases for evaluating different  
11 supply portfolios.

12 MS. CHANG: Well, I will check into that  
13 and hopefully will be able to include some comment  
14 on that in our written comments.

15 PRESIDING MEMBER GEESMAN: Yeah, I would  
16 appreciate that. I think your comments on this  
17 subject which you filed on the Energy Report have  
18 been well founded. And it is one of the areas  
19 that I think we should pursue going forward.

20 MS. CHANG: Okay, I'll look more into  
21 it.

22 PRESIDING MEMBER GEESMAN: Who's next?  
23 Thank you very much.

24 MS. CHANG: Thank you.

25 DR. KENNEDY: Actually there's one

1 related thing to where we put the energy  
2 efficiency numbers that I forgot to mention as I  
3 was going through.

4 On the capacity side, because the  
5 uncommitted -- we're dealing with the uncommitted  
6 demand response and energy efficiency as a  
7 resource, but on the demand forecast we're adding  
8 a 15 percent capacity factor. When those  
9 eventually become demand side resources, it  
10 probably would be appropriate to include a 15  
11 percent addition to those resources.

12 So that's something that in some of the  
13 informal review and discussions we've had with the  
14 PUC so far is something we're talking about doing.  
15 So we may be bumping the preferred resources in  
16 terms of the demand side preferred resources for  
17 capacity to account for the fact that they would  
18 come in before the reserve margin was needed.

19 PRESIDING MEMBER GEESMAN: Where's the  
20 15 percent come from?

21 DR. KENNEDY: I believe that that's what  
22 we had initially included in the supply form  
23 request. But it was sort of a -- offhand I'm not  
24 quite sure why we chose the specific 15 percent  
25 that we did. But basically, you know, when we

1 added in the reserve margin on the capacity  
2 tables, the 15 percent is what we used. I can get  
3 back to you on --

4 PRESIDING MEMBER GEESMAN: Yeah, I raise  
5 the question because I think in one of the  
6 comments that we got on the energy efficiency  
7 section of the Energy Report there was a reference  
8 to a, I think it's a .217 capacity assumption that  
9 the PUC has used with respect to energy efficiency  
10 programs.

11 I believe that's either based on past  
12 performance or what the envisioned as the  
13 contribution from the current mix of programs that  
14 they've approved.

15 We just need to make certain we're  
16 consistent.

17 CHAIRMAN DESMOND: Commissioner. Just a  
18 question, Kevin. Much like on the efficiency side  
19 where we have taken the demand forecast and  
20 reduced it by known programs that have been  
21 expended and we sort of convert over on the  
22 unfunded portion to identify it as resource.

23 I thought what the report -- just  
24 correct me if I'm wrong -- that on the demand side  
25 you're treating the capacity, the interruptible or

1 dispatchable programs, as capacity, also  
2 resources. But you have not, at this time, sort  
3 of the market-based or price-responsive would be  
4 reflected in the reduction of the demand forecast  
5 based on some elasticity once they're identified.  
6 So, is that correct?

7 DR. KENNEDY: Right. Yeah.

8 CHAIRMAN DESMOND: All right.

9 DR. KENNEDY: As we get more details on  
10 those they can be incorporated in.

11 CHAIRMAN DESMOND: Thanks.

12 MS. CHANG: I have a clarification for  
13 Commissioner Geesman about your question. That  
14 .217 factor was based on a historical look at past  
15 programs in the PUC. The proceeding there right  
16 now is in the process of determining the  
17 definition of peak and how to exactly count that  
18 capacity.

19 PRESIDING MEMBER GEESMAN: Okay.

20 DR. KENNEDY: And just to clarify, the  
21 15 percent I'm talking about would not be  
22 comparable to that factor. That would be the  
23 conversion from the energy to the capacity side.  
24 And what we were using in identifying the  
25 preferred future energy efficiency resources, we

1 pulled from the IOU resource plans.

2 And I would have to take a look and see  
3 exactly what the implicit capacity factor is  
4 there. It may or may not match the .21 that  
5 you're talking about.

6 PRESIDING MEMBER GEESMAN: Yeah, I think  
7 it's probably valuable to be consistent with the  
8 number the PUC has been using.

9 DR. KENNEDY: Okay, I'll take a look at  
10 that.

11 PRESIDING MEMBER GEESMAN: Who's next?  
12 Steve.

13 MR. KELLY: Thank you, Commissioners.  
14 Steven Kelly with Independent Energy Producers.  
15 Two quick questions on Kevin's presentation on the  
16 draft Transmittal Report.

17 I'm kind of looking at the slide, Kevin,  
18 on the capacity. And these are more questions of  
19 clarification.

20 I don't know if these slides are going  
21 to be used in any other capacity other than this  
22 presentation, but when I read the range of peak  
23 demand forecasts, --

24 DR. KENNEDY: Yes.

25 MR. KELLY: -- I think of demand as what

1       you've usually used it as. But it seems to me  
2       this is reflecting the procurement need, right?  
3       This is the --

4               DR. KENNEDY: It --

5               MR. KELLY: I was a little confused  
6       about that when I read it. So it's just  
7       nomenclature? You --

8               DR. KENNEDY: Yeah, and this portion  
9       actually should say that that includes the 15  
10      percent reserve margin.

11              MR. KELLY: Right, yeah. And when I  
12      hear demand --

13              DR. KENNEDY: And also includes --

14              MR. KELLY: -- I think more of just what  
15      the public is consuming, so.

16              DR. KENNEDY: Yeah, --

17              CHAIRMAN DESMOND: Just I actually had  
18      the same reaction, which is these are contractual  
19      requirements, not physical additions of new  
20      capacity. And that's not drawn out in any of the  
21      graphs.

22              And so anyone looking at these outside  
23      of this forum would easily construe that we need  
24      the addition of x amount of megawatts. And so  
25      there is both the requirement to, I think, define

1        what we mean by need on the bottom of every graph.

2        And then more clearly label the gap.

3                DR. KENNEDY:    Okay, and I am hoping to  
4        include versions of these graphs in the final  
5        version of the report, so I'll try to make sure  
6        that the language is very clear.

7                MR. KELLY:    Okay.    The second question  
8        is that in the same table you show a drop off in  
9        capacity after 2010.    I'm presuming that's a drop  
10       off of the DWR contracts, the QF contracts?

11               DR. KENNEDY:    There's very little change  
12        in the QF contracts.    The assumption in all of the  
13        utility resource plans was that those would  
14        continue on.

15               Actually I don't have -- I was going to  
16        pull up the tables, themselves, but I realize I  
17        don't have the exact equivalent.    I just have --

18               PRESIDING MEMBER GEESMAN:    Principally  
19        DWR.

20               DR. KENNEDY:    It's --

21               MR. KELLY:    It's mostly just the DWR?

22               DR. KENNEDY:    To some degree it's also  
23        the bilateral contracts.    So if we're looking at -  
24        - get to one of the right graphs here, or one of  
25        the right tables -- for capacity, if you look,

1       this is specifically PG&E. Down here you can see  
2       the contractual resources; major drop off in DWR,  
3       obviously, down to zero; the QF contracts, there's  
4       very little drop off. Renewable contracts are not  
5       a major portion of the portfolio, but you also do  
6       have the other bilateral contracts, in this case,  
7       dropping almost in half.

8               So, it's primarily the DWR contracts,  
9       but to some degree, drop off in others.

10              DR. KENNEDY: To the extent there are  
11       any QF drop offs and those are renewable QFs, you  
12       might want to reflect that in the renewable box to  
13       make them equivalent.

14              PRESIDING MEMBER GEESMAN: That's a hard  
15       one from a forensic accounting standpoint.

16              MR. KELLY: Okay, it just dawned on me.  
17       So those are just kind of issues of clarification.

18              But I did have one point, I want to  
19       thank the Committee and the staff on this. I had  
20       an opportunity very quickly to review this  
21       document. I might have some more specific  
22       comments at the end of the hearing.

23              But I found it incredibly helpful the  
24       appendix B which has the tables of the way that  
25       you've allocated the resources. And I think that



1       this is, for the first time in many years, that  
2       we've been able to see in one spot the capacity  
3       need, for example.

4               I'll note that when I add it up, the  
5       capacity need across the IOUs, it totaled in 2009  
6       I think about 13,000 megawatts. And I think  
7       there's about 8000 megawatts have sited, but  
8       uncontracted resources out in California today,  
9       which still leaves a gap of 4000 to 5000  
10      megawatts.

11             We are essentially in 2006. By the time  
12      the PUC completes their long-term procurement  
13      proceeding next year, I suspect we'll be almost in  
14      2007. Which is going to mean that to the extent  
15      there is a capacity need we are going to have to  
16      move very quickly to fill that gap.

17             So, it's a huge hurdle if those numbers,  
18      and I presume there's going to be comments on  
19      those numbers, but if those numbers retain and are  
20      accurate in terms of a systemwide need, we've got  
21      a big hurdle that we need to face very quickly in  
22      2006. So it's just an observation.

23             But I do appreciate having those  
24      numbers. I think from developers' perspective it  
25      is very helpful for us to see the magnitude of

1       that. It doesn't really get developers to a point  
2       where they can look specifically in geographic  
3       regions, necessarily, within a zone, about what  
4       they should do and where they should do it. And  
5       they probably would not go to the point of doing  
6       site preparation or acquisition. But it is  
7       helpful to get senior management's attention to  
8       the California need. We do appreciate that.

9               Thank you.

10              PRESIDING MEMBER GEESMAN: Thank you,  
11       Steven. Who's next?

12              DR. JASKE: Mike Jaske, Energy  
13       Commission Staff. I feel compelled just to  
14       correct -- add to the record the observation that  
15       Chairman Desmond made earlier, that these tables  
16       are on a contractual perspective.

17              So, lest Mr. Kelly's remarks be  
18       interpreted as identifying a physical need in  
19       2009, that's not the right interpretation of the  
20       tables.

21              PRESIDING MEMBER GEESMAN: We have had a  
22       challenge throughout this process of stepping  
23       between the contractual and the physical. And  
24       it's a bit like stepping between Arabic and  
25       Egyptian. But we're making progress.

1                   CHAIRMAN DESMOND: Yeah, just as a  
2 follow on, even the term supply/demand balance  
3 implies almost a balancing of that in the  
4 marketplace. And so my recommendation is that,  
5 you know, to the extent you can think of other  
6 ways of characterizing that, I think it's  
7 important. Otherwise people will walk away and  
8 conclude, inappropriately, that there may be a  
9 physical need that is something less than what  
10 we're showing.

11                  DR. KENNEDY: And I think I would also  
12 add in encouraging either comments today or in the  
13 written comments, in terms of what we're doing  
14 with adding the aging power plant increment, we're  
15 in some ways attempting to achieve a physical end,  
16 which is a, you know, timely transition to the  
17 retirement of the existing aging infrastructure,  
18 and replacement with, you know, whether that's  
19 demand response, energy efficiency or new power  
20 plants.

21                  But we are doing it in a context where  
22 we are dealing with a contractual process. And so  
23 we recognize that there's some tension between  
24 what we're attempting to achieve and the mechanism  
25 that we're using is not necessarily a perfect

1 mechanism. And we certainly are open to comments  
2 and suggestions, particularly -- you know,  
3 specific recommendations on ways of accomplishing  
4 the policy goal.

5 CHAIRMAN DESMOND: Kevin, I actually  
6 have a suggestion. Looking at this, you know, and  
7 we briefly had a discussion internally the other  
8 day about the appearance of double counting, and  
9 whether as you're reducing you're also adding.

10 I'd suggest perhaps that instead of show  
11 both the stacked bar and then the lines, that in  
12 fact you simply show the difference between the  
13 two as the net that you're projecting out.

14 That way you're not confusing, and you  
15 can compare sort of the baseline on designated  
16 additional resources, broken out appropriately.  
17 And then on top of that a second set of numbers.  
18 And that way you're really just graphing the  
19 difference between the top of that stack bar and  
20 the others.

21 That, I think, would do a better job of  
22 conveying the assumptions under both the needs,  
23 contractual needs, compared to the two scenarios.

24 DR. KENNEDY: Okay. I'll take a look at  
25 that.

1                   PRESIDING MEMBER GEESMAN: Other  
2                   comments? Manuel.

3                   MR. ALVAREZ: Manuel Alvarez, Southern  
4                   California Edison. This is just a question, I  
5                   guess. In the staff's analysis or in this  
6                   analysis, what happens to that physical capacity?  
7                   How do you account for that?

8                   DR. KENNEDY: In terms of the aging  
9                   power plant capacity or --

10                  MR. ALVAREZ: Or any capacity you assume  
11                  that's falling off. Are you assuming that it's  
12                  actually gone from the California system?

13                  DR. KENNEDY: Well, what we're seeing  
14                  falling off in terms of the existing resources are  
15                  contractual resources. For all three of the IOUs  
16                  the existing physical resources are pretty much  
17                  remaining constant. You know, the nukes and the  
18                  fossil plants and the hydro.

19                  So, what's behind the contractual  
20                  resources is something that, in terms of the  
21                  public record, there's not a lot of specific  
22                  information. So, I don't have a good answer for  
23                  that offhand.

24                  MR. ALVAREZ: Okay. But, a follow up  
25                  question, Kevin, if I can. I guess in the

1 Transmittal Report and the IEPR report, the staff  
2 did its own analysis of the future of the system.  
3 Yet you relied on only the utilities' filing of  
4 the information. Did you not want to use the  
5 staff's analysis of the entire system in the  
6 future?

7 DR. KENNEDY: What we are putting  
8 together here is intended for use in the PUC  
9 procurement proceeding, which is contractually  
10 oriented. And staff's analysis was much more a  
11 physically oriented analysis.

12 And so in terms of what resources your  
13 company and the other IOUs have available to meet  
14 their bundled customer need, you guys are the  
15 source of that information. We do not have, on  
16 the staff side, good information in terms of what  
17 the contracts are out there in terms of any public  
18 information. And most of what we have, even in  
19 terms of confidential, is what you provided in the  
20 resource plan, so.

21 MR. ALVAREZ: Okay, thank you.

22 PRESIDING MEMBER GEESMAN: Other  
23 comments? Anybody?

24 DR. KENNEDY: I guess we'll move on to  
25 the individual utility summaries. And what I have

1 done for these, and I just will make some general  
2 comments and leave it open.

3 The report, itself, does include the  
4 more detailed tables that these are based on. And  
5 if anybody has questions or comments on any of  
6 these individual ones, you can either make them  
7 now or provide them in the written comments by  
8 next Tuesday.

9 So the first of these is the PG&E's  
10 energy range of need. And what we're looking at,  
11 and in most of these cases the physical resources,  
12 as I've said remain relatively constant in terms  
13 of what the utilities have available in fossil,  
14 nuclear and hydro generation.

15 The contractual resources, you see a  
16 major drop. The speed of the drop varies  
17 depending on the specific DWR contracts that the  
18 utilities have within their portfolio. But  
19 generally dropping off by the 2012/2013 period.

20 For PG&E in terms of energy, what you  
21 can see is that starting in 2009 what we've  
22 identified as the preferred resources, actually if  
23 they were to procure those preferred resources  
24 would largely make up of a large portion of the  
25 need.

1           As you move into 2010 and beyond it  
2       just, the preferred resources becomes a relatively  
3       small fraction of that.

4           And in terms of the aging plant  
5       increment there's relatively little difference on  
6       the energy side. But definitely a bump up there.

7           In terms of the capacity, you see a very  
8       similar pattern. There's a bit more need in the  
9       early years beyond -- in 2009 beyond what was  
10      included in the preferred resource category.  
11      Becomes a fairly substantial contractual need by  
12      the time you're out, certainly, to 2012, and to  
13      some degree in 2010 and '11.

14          For SCE, starting in the -- contractual  
15      resources remain relatively constant through about  
16      2011, and then have a major drop off. In terms of  
17      the energy needs, what's been identified as the  
18      preferred resources are, in 2009, enough to make  
19      up what they were -- or more than make up what  
20      they would otherwise need in terms of energy.

21          In 2010 it's still close. Without the  
22      aging plant increment the preferred resources  
23      would be enough on the energy side. But with it,  
24      there's a little bit of undesignated additional  
25      need.



1           When you get to 2012 where you've had  
2           the drop off in the DWR contracts, you have a  
3           fairly substantial undesignated need on the energy  
4           side for SCE.

5           On the capacity side for SCE the picture  
6           looks very different. There's already, by 2009, a  
7           fairly substantial undesignated need whether  
8           you're looking at the basic line or with the aging  
9           plant increment. And while that does go up, and  
10          you have a very substantial need, the preferred  
11          resources, as identified here, only represent a  
12          relatively small fraction of what they would be  
13          needing going forward.

14          For SDG&E, again the DWR contracts is  
15          the major drop off. You see that largely  
16          happening 2010, 2012. The need, in terms of  
17          energy, is relatively small in 2009, preferred  
18          resources making up a portion of that.

19          You see a very large jump in the  
20          preferred resources in 2010 for San Diego. As I  
21          had mentioned before, what we made use of for the  
22          renewables within the preferred resources for the  
23          different utilities was based on what the  
24          utilities told us, you know, if they needed to be  
25          meeting the accelerated goals, what they would be

1       able to do.

2               San Diego, in order to meet even the 20  
3       percent in 2010 renewables goal, and certainly to  
4       be able to move beyond that, has the need for a  
5       major transmission addition which doesn't really  
6       have the possibility of coming online until 2010.  
7       So you see a very large jump in the resource plan  
8       that they filed with us in their renewable  
9       resources from 2009 to 2010. So that's the reason  
10      for that big jump in the preferred resource,  
11      renewable category there.

12             And, again, as you go through the latter  
13      portions of the period, in actually all of the  
14      cases you see a relatively steady need in the sort  
15      of 2012 to 2016 timeframe.

16             On capacity, you see once again the  
17      fairly major jump in the preferred renewables in  
18      2009 to 2010. The preferred resources for 2009,  
19      as identified, would be more or less enough to  
20      meet the capacity needs as of the basic demand  
21      forecast with the 15 percent reserve margin. But  
22      when you're adding in the increment for aging  
23      plants, there's additional undesignated need. And  
24      that need, the jump in preferred resources in 2010  
25      gives them a good head start. But then the

1        expiration of DWR contracts means by 2011 and  
2        beyond there's a fairly substantial capacity need  
3        that they would need to be contracting for.

4                So, as I said, that's a fairly quick  
5        run-through. I do have the tables here if people  
6        want to get into any of the details on that. But  
7        I would welcome comment from any of the IOUs on  
8        the particulars of the numbers that we used.

9                We have had some initial exchange with  
10        SDG&E to try to sort out how we included demand  
11        response. But any comments on the particular  
12        numbers are welcome at this point or in writing.

13               And, again, a reminder for folks on the  
14        webcast, if you want to call in and comment at  
15        this stage, 800-621-8495; the passcode is hearing;  
16        and the call leader is Kevin Kennedy.

17               Open the floor back up to comment.

18               MR. KATSAPIS: I just have a general  
19        question. Greg Katsapis, SDG&E. I'm trying to  
20        look at the revised staff forecast, and I can't  
21        match any of these numbers on the graph.

22               For PG&E, for example, in 2016 you have  
23        24600 as the basecase, and you show on the  
24        transmittal report here in your graph, a number  
25        substantially lower.

1                   For Edison, the numbers appear to be  
2                   identical to the draft report. And for SDG&E  
3                   they're higher.

4                   DR. KENNEDY: Can you tell me the number  
5                   for one of the tables that you're looking at?

6                   MR. KATSAPIS: For PG&E I'm looking at  
7                   the revised staff forecast, the basecase of 24600.  
8                   So, all those are -- all three cases are below.  
9                   For Edison, they appear to be what the revised  
10                  staff forecast says. And for SDG&E they appear  
11                  higher than what's in the report.

12                  MS. JONES: Could you tell us which  
13                  table you are looking at in the report?

14                  MR. KATSAPIS: In the report I'm on page  
15                  75, 76 and 77. Table 11, table 12, and table 13.

16                  DR. KENNEDY: I will need to double  
17                  check this. What I'm noticing, and if this is  
18                  what's going on, I apologize, is this is my error  
19                  in putting the wrong tables in here.

20                  These tables 11, 12 and 13 are actually  
21                  labeled planning area tables. And what I'm using  
22                  in these graphs and what's in the range of need  
23                  are actually the bundled service numbers.

24                  So, sort of doing a quick double-check  
25                  here the table B information should have the

1 correct -- the appendix B information should have  
2 the correct numbers there. And I'm double  
3 checking that.

4 Yeah, I suspect that that's what's going  
5 on. What got included as tables 11, 12 and 13, I  
6 actually managed to pull the wrong numbers out of  
7 the revised staff forecast. So those are planning  
8 area numbers that include the ESPs and munis.

9 But I will double check that and clarify  
10 it in the final.

11 MR. ANDERSON: Good morning. Rob  
12 Anderson, Director of Resource Planning at SDG&E.  
13 There's really just two issues I'd like to  
14 highlight today. We will send in some written  
15 comments that highlight a few other ones. But two  
16 of them I think are important for you to hear  
17 today.

18 One of them directly hits on the issue  
19 that we've been discussing, and I wanted to wait  
20 till San Diego's turn only because I've only been  
21 able to rework San Diego's numbers. And that's  
22 dealing with what reserve margin is really showing  
23 up as a result of these tables.

24 And I tried to take San Diego's table  
25 and reorganize it a bit, and basically put it into

1 the same format of the staff's original like S1  
2 and S2 tables. So we took the peak load; we  
3 subtracted off energy efficiency, demand response;  
4 got a need added reserves; and then added  
5 resources to that reserve.

6 When I redid these tables for San Diego  
7 I was basically coming up with us procuring  
8 somewhere between a 40 to 60 percent reserve  
9 margin if we actually bought everything that was  
10 in these tables.

11 PRESIDING MEMBER GEESMAN: Yeah, we  
12 don't want to do that.

13 MR. ANDERSON: Yeah. I think there are  
14 three things that will cure the problem that I've  
15 been able to figure out.

16 First is the issue of physical versus  
17 contractual. In my 20-some years of doing this,  
18 I've never found a way to put them both on the  
19 same page. And unfortunately, this table  
20 attempted to do the same thing.

21 So I don't believe that we can add in  
22 this issue of dealing with the retirement of older  
23 plants.

24 In my view, if the utilities have plans  
25 that fully meet their needs, as well as their

1        reserve margin, they have dealt with the issue of  
2        the retiring plant. Because they have either  
3        contracted for a new plant to get built to meet  
4        that need, or have even contracted with the  
5        existing plants in order to keep them around for  
6        the time needed.

7                So I think that whole addition could be  
8        removed, and actually should be removed from the  
9        tables. You may want to leave it in text as the  
10       utilities look to meet their unmet need, they need  
11       to deal with that issue. But I don't believe it's  
12       an adder into our resource needs.

13               The second item I found was that the  
14       calculation of the reserves in the table was based  
15       on the total system peak demand, not on the  
16       utilities' bundled demand. And in essence that  
17       would have me buying reserves for all LSEs in my  
18       service territory.

19               The resource adequacy in the state is  
20       each LSE must meet their own reserves. So you  
21       need to change how the reserve line is calculated  
22       in the table.

23               And the last item was the other one that  
24       was talked about this morning, which is in showing  
25       uncommitted energy efficiency and the uncommitted

1 demand response as a resource, later in the table  
2 the calculations above actually would have us  
3 buying reserves for those resources.

4 So those lines either need to be grossed  
5 up by 15 percent to reflect that they will  
6 eliminate the reserve need, or they need to be  
7 moved up into the table, reduce the peak demand  
8 and then have the load calculated.

9 The last item I'd like to raise is  
10 related to the load forecast. I know I've raised  
11 this issue before, but I feel it's important to do  
12 it one more time. And I'm going to try a little  
13 differently this time.

14 When we took the load forecast in these  
15 tables, and this is the total area load forecast,  
16 subtracted off the uncommitted energy efficiency,  
17 between 2009 and 2016 San Diego's peak load will  
18 be forecasted to grow 75 megawatts.

19 That's not 75 megawatts a year, that's  
20 75 megawatts over the entire seven-year time  
21 period. Okay. In our view this is a forecast  
22 that's 700 to 800 megawatts too low by the year  
23 2016.

24 And to put that in perspective, the  
25 staff's own forecast has forecasted between 2007



1 and 2008 our peak load to grow about 80 megawatts  
2 in that one year alone. And that's after energy  
3 efficiency.

4 So, in our view the table still has a  
5 large problem with the load forecast for the San  
6 Diego area.

7 Those are my only comments for today,  
8 thank you.

9 PRESIDING MEMBER GEESMAN: Thank you,  
10 Rob.

11 MR. GULIASI: Good morning. Les Guliassi  
12 for PG&E. I have a great deal to say, or at least  
13 I prepared a great deal to say. But now I'm not  
14 quite sure what to do.

15 I want to first commend the staff for  
16 all the hard work and the Commission for all the  
17 hard work that you put us all through. But, I'm a  
18 little bit at a loss today. And in hearing not  
19 only Kevin's presentation, but the various  
20 comments, I think that I want to make a  
21 recommendation to you.

22 I think that today's hearing really  
23 should be the starting point for some further  
24 discussion, and not the ending point. I think  
25 there's a need to sit down and do some, you know,

1 staff-to-staff discussion, to have some staff-to-  
2 staff discussion about the numbers, the treatment  
3 of the numbers.

4 I'm afraid that what will happen if you  
5 don't have that dialogue is one of two things.  
6 Either you'll require that kind of dialogue to  
7 take place in a CPUC workshop; or what you're  
8 going to find yourself faced with is presenting  
9 all this information at the CPUC in a litigation  
10 forum, where you won't have the benefit of working  
11 through these numbers.

12 And I think you're just going to find --  
13 we're all going to find ourselves in a situation  
14 with a great deal of confusion and nothing being  
15 done very productively.

16 So, that's my recommendation. I don't  
17 know how we can accomplish that. I don't think  
18 you necessarily need to have a Commissioner-  
19 supervised workshop, but I think you ought to  
20 convene at least a full day of discussion where we  
21 can work ourselves through the numbers; walk  
22 through the numbers; understand how they were  
23 dealt with by the staff so we can deal with some  
24 of these key issues that I was also prepared to  
25 address.

1           For example, this issue about how we  
2           account for contractual versus physical need. The  
3           issue that not only Mike Jaske raised, but  
4           Commissioner Desmond raised it, and others raised  
5           it. The double-counting issue.

6           We have the same problem as we work  
7           through the numbers with respect to aging power  
8           plants. As Rob Anderson just stated, if you  
9           follow the staff's method you'll find San Diego  
10          procuring way in excess of the required reserve  
11          margin.

12          In our case it's not as high as what he  
13          indicated, but I think we would be procuring in  
14          excess of 20 percent of the reserve margin.

15          So, I can walk through some of that  
16          detail here, but I'm not sure that that's really  
17          the best use of our time. I think the best use of  
18          everybody's time would be to start with some  
19          productive dialogue.

20          PRESIDING MEMBER GEESMAN: Can you be  
21          here Monday?

22          MR. GULIASI: I'd have to check. What I  
23          really need is, you know, our numbers people, the  
24          resource planners and the ones who spent the bulk  
25          of the time compiling information and presenting

1 it.

2 I will vow to you that I will do my best  
3 to try to get people here if that date is  
4 convenient for the staff and for others.

5 May I ask, is there some due date that  
6 you have, that you're working with to --

7 PRESIDING MEMBER GEESMAN: November  
8 21st. November 21st we have to adopt.

9 MR. GULIASI: Well, I understand --

10 PRESIDING MEMBER GEESMAN: We're going  
11 to be three weeks behind our statutory target on  
12 November 21st. We have to notice whatever we do  
13 ten days in advance of November 21st. And then  
14 there's a --

15 MR. GULIASI: And just for my own  
16 clarification, maybe for the benefit of everybody  
17 here, might need to be back on Monday or some  
18 other time, as I understand it, this report, this  
19 Transmittal Report will be something that you will  
20 convey to the PUC. And will be used as a starting  
21 point for their long-term plan, the 2006  
22 proceeding.

23 Is there any due date for that report?  
24 So, in other words, what I'm thinking, can you  
25 somehow bifurcate the overall Energy Report from

1       this Transmittal Report so we can have the benefit  
2       of time to work through some of the numbers?

3               PRESIDING MEMBER GEESMAN:   The problem  
4       is we've had the benefit of 15 months and 59 days  
5       of time.   And I'm willing to extend you some time  
6       if you feel it would be productively used.

7               If Monday's the wrong day, I would  
8       suggest Tuesday.   But I'm trying to convey a sense  
9       that time is of the essence, and a lot of time has  
10      been invested in this.   And I think your staff has  
11      invested a lot of time.

12              So, I'm happy to accommodate whatever  
13      schedule we can arrive at, but it needs to be  
14      soon.

15              MR. GULIASI:   Well, that's my  
16      recommendation.   And I think that's, you know,  
17      something that we need to hear from others, if  
18      it's possible to convene on Monday or Tuesday.  
19      And if we would really benefit from that exercise.  
20      I don't want to put anybody through a lot of  
21      unnecessary work.

22              Again, I'm trying to --

23              PRESIDING MEMBER GEESMAN:   We'd be happy  
24      to do it just with your company if nobody else  
25      wants to do it.   I think that if you feel it would

1 be productive, then we ought to do that.

2 MR. GULIASI: Okay. Well, as I said,  
3 I'll see what I can do to at least arrange a  
4 conversation between PG&E Staff and Energy  
5 Commission Staff to work through these numbers.

6 PRESIDING MEMBER GEESMAN: Yeah.

7 MR. GULIASI: And if others can make it,  
8 then I suppose we can have a broader discussion.

9 We will be filing detailed written  
10 comments on Tuesday. And maybe I can just spend a  
11 moment outlining some of the issues that we're  
12 going to address. They're policy issues as well  
13 as the issues that we're talking about now, and  
14 the issues that arise from the treatment of the  
15 numbers.

16 Just let me say that we were a little  
17 bit surprised at the report. We were expecting  
18 largely that the report would be numbers and  
19 tables, obviously some narrative description of  
20 those numbers and tables.

21 But it seems that you've also grafted  
22 onto this Transmittal Report some of the policy  
23 recommendations that you put forth in the larger  
24 Energy Report.

25 What we were expecting was the process

1 to look a lot like what happened in the 2004  
2 process, and the earlier proceeding at the --  
3 long-term proceeding at the California Public  
4 Utilities Commission where we would present  
5 numbers to you; the staff would conduct some  
6 analysis. And there would be some modest updates  
7 or adjustments made to the numbers that we  
8 produced.

9 I think what you're seeing in this  
10 tension between, and the confusion between the  
11 physical capacity and the contractual capacity  
12 reflects some of the trouble we're having in  
13 understanding the report. And the surprise that  
14 we encountered in the way the report was put  
15 together.

16 We will be addressing some of these  
17 policy recommendations. You've heard us opine  
18 before about our concerns with the way you've  
19 dealt with the whole distributed generation issue.  
20 We've outlined some comments, or detailed some  
21 comments in the Energy Report comments.

22 We think you really need to go further  
23 to clarify a few things, such as a better  
24 definition of, you know, distributed generation  
25 and larger combined heat and power. A clear

1 definition of the old current fleet of QFs from  
2 what I think you intend to be discussing, which is  
3 kind of a newer, more efficient generation of  
4 cogeneration.

5 Things like that continue to perplex us.  
6 And we're kind of spinning our wheels, I think,  
7 arguing over some of the same points. And we  
8 encourage you to, as you move forward and work on  
9 these issues, help us with some of those  
10 clarifications and clearer definitions.

11 We're going to provide some comments on  
12 what we think needs to be done on the load  
13 forecast, just in terms of updates. I know we  
14 don't want to start from scratch and produce brand  
15 new load forecasts. I think what we want to do  
16 here is just take a look at changes between the  
17 time which we initially provided the information,  
18 from now, and just focus our attention on the  
19 delta, or the changes over time. Not start from  
20 scratch. But I think we need to do some -- have  
21 some updates.

22 We need to look more carefully at the  
23 treatment of energy efficiency, and to make sure  
24 that there's some consistency in the way that  
25 we've treated it, and the way you're treating it.



1 So we'll provide some comments on that, as well.

2 Finally, kind of more at a general  
3 level, when we worked through, at least our  
4 understanding of, the tables and the information  
5 provided, it seems that the recommendations put  
6 forth here, at least for the PG&E area, contradict  
7 other analyses we've seen; even the analysis that  
8 we saw in July from the staff.

9 And when we look at other people's  
10 analysis, such as the WECC outlook, it appears  
11 that those other reports I just referenced produce  
12 a much more consistent picture of our resource  
13 needs compared to what we believe we need, as  
14 opposed to what we gleaned from the information  
15 presented in this report.

16 And, again, I think this just reflects  
17 back on the comments I made earlier, and others  
18 have made, there's a lot of confusion about some  
19 of the numbers and the treatment of the numbers.

20 And if we kind of work through the  
21 staff's analysis here, again we'll be acquiring  
22 well in excess of 20 percent reserve margin. And  
23 I don't think that's anything that you intended.  
24 But it's just that kind of thing that we've  
25 prepared comments on today, and we're going to

1 write and present you with some detail in our  
2 written comments.

3 But I think we just need to work through  
4 that information so we understand what we're  
5 doing. And we can avoid a lot of confusion and a  
6 lot of distractions at the PUC when we move to  
7 that proceeding. And instead can take the good  
8 work that we've done here, and especially the good  
9 work of the staff, use it as a legitimate starting  
10 point, and use it productively in that proceeding.

11 So, thank you for the opportunity. I  
12 don't know what to do next. Maybe I talk to Kevin  
13 and see if we can arrange something.

14 PRESIDING MEMBER GEESMAN: Yeah, I think  
15 you probably need to talk to the key people from  
16 your staff that you'd like involved, and determine  
17 their availability on either Monday or Tuesday.

18 MR. GULIASI: Okay, and I'll talk to  
19 Kevin to see if that's feasible. Thank you.

20 PRESIDING MEMBER GEESMAN: Thanks, Les.

21 DR. KENNEDY: And I also just did a  
22 quick caucus with some of the PUC folks who are  
23 here, who are also interested in participating in  
24 that discussion, which will be extremely useful  
25 all around.

1                   PRESIDING MEMBER GEESMAN: Good.

2                   MR. ALVAREZ: Good morning,  
3           Commissioners. Manuel Alvarez, Southern  
4           California Edison. Actually today's workshop  
5           hearing actually gave me a little bit of comfort,  
6           at least hearing some of the questions from the  
7           Commissioners about various information and tables  
8           that are presented in the report.

9                   I think the Committee is well aware some  
10          of the disagreements we have in policy areas from  
11          the draft report. I think I'll refer you to our  
12          comments that we submitted to you last week about  
13          that report, to revisit that.

14                  We will be filing some detailed comments  
15          on this particular document. And you will hear  
16          some of the same concerns that we had at that  
17          particular point. So I just wanted to refresh  
18          your memory.

19                  Two other issues that I want to bring to  
20          your attention which actually gave me a little bit  
21          of comfort today when I was hearing some of the  
22          questioning. And that dealt with some of the  
23          supply and demand forms. I think the questioning  
24          I heard from the Commissioners clearly indicates  
25          some of the issues that are still to be discussed

1 here, dealing with how we handle some of the  
2 supply and demand issues, some of the energy  
3 efficiency questions, some of the demand response  
4 programs.

5 It was characterized as whether you put  
6 on the supply and demand side; that's part of the  
7 problem. But I think you need to kind of figure  
8 out how you're going to account for that.

9 If the state's loading order accounts  
10 for demand response and energy efficiency as  
11 number one, then that needs to be accounted for in  
12 some fashion in these particular tables.

13 The next thing I'd like to bring to your  
14 attention is we heard a question, which I think is  
15 very important, dealing with the discrepancy  
16 between planning area and bundled customers. I  
17 think that's an issue that you need to address  
18 here in this particular report. And we'll try to  
19 provide you some clarification in our  
20 understanding of how that is played out in this  
21 particular report when we file our comments on  
22 November 8th.

23 And with that, that's all I have.

24 PRESIDING MEMBER GEESMAN: Thank you,  
25 Manuel. Other comments?

1 DR. KENNEDY: Is there anyone on the  
2 phone?

3 PRESIDING MEMBER GEESMAN: Commissioner  
4 Desmond.

5 CHAIRMAN DESMOND: Unless there's anyone  
6 else in the public I just wanted to make a couple  
7 of comments relative to the report here. And the  
8 purpose of making these comments right now is as  
9 people consider their written responses, you know,  
10 perhaps this can do this, can shape them.

11 One, I would indicate I was also a  
12 little surprised by the inclusion of the policy  
13 recommendations in here in this portion, only from  
14 the perspective of having had discussions, I  
15 wasn't anticipating that they would.

16 But also recognizing that, you know,  
17 President Peevey had asked for comments  
18 specifically on those issues that would impact the  
19 procurement components.

20 And I would point out issues like  
21 confidentiality appear in section 2.3,  
22 transparency, and 3.4. And then again in section  
23 4.1 on page 26. And what I was expecting was just  
24 comments relative to the impact on the numbers,  
25 because I do think we treat appropriately those

1 issues in the original policy document. But, be  
2 that as it may.

3 A couple other thoughts here. On the  
4 need for long-term contracts, which is identified,  
5 I think, clearly on section 3.1. And then when we  
6 get to page 21 on mechanisms for addressing the  
7 utilities' ability to do that, I think that in  
8 addition to an option of exit fees, that there are  
9 other options to consider.

10 And those would include capacity market  
11 mechanisms which the Commission has supported in  
12 the past; contracts with put options; varying  
13 contract lengths associated with customer classes;  
14 commitments; and tariff designs, specifically  
15 real-time pricing tariff options that may more  
16 appropriately incent people to choose one or the  
17 other. So those are just some options.

18 In general I've made the comments  
19 regarding the presentation of the data I think  
20 that staff and others have commented on.  
21 Otherwise, I think it also, in certain sections,  
22 represents a very ambitious schedule on the part  
23 of the PUC to complete many of the recommendations  
24 contained on pages 14 and 15 by the end of 2006.

25 And so in that sense I'd be interested

1 in the PUC's comments back as to their ability to  
2 meet those schedules.

3 I would like to see perhaps some  
4 expansion on the DWR contracts on the discussion  
5 of firm LDs, because this is part of the more  
6 recent PUC resource adequacy decision. And to the  
7 extent that that is, now has been adopted, we  
8 still have open the question of locational  
9 capacity. So to the extent that could be  
10 addressed here textually I think that would be  
11 worthwhile.

12 And then other ideas I'll submit in  
13 writing regarding that. And sort of the last  
14 comment is on demand response, just in terms of  
15 the figures. We are using an assumption of 5  
16 percent of system peak demand; associated with  
17 that I think concerns that have been expressed by  
18 this Commission where we're not hitting those  
19 goals.

20 And just, again, a notion of risk  
21 assessment in the delivery and measurement  
22 verification of those would be important.

23 Otherwise, that's it. And, again, my  
24 compliments to staff for clearly what is a very  
25 ambitious and comprehensive document.

1                   PRESIDING MEMBER GEESMAN: Anybody else?

2                   Anybody on the phone?

3                   Okay, I thank you, all. We will see you  
4                   on the 21st.

5                   (Whereupon, at 10:35 a.m., the Committee  
6                   hearing was adjourned.)

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